

CITY OF COMMERCE, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2023

**City of Commerce, Texas
Annual Financial Report
Year Ended September 30, 2023**

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FINANCIAL SECTION

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Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Commerce, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Commerce, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Commerce, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Commerce, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Commerce, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Commerce, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Commerce, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Commerce, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedule – General Fund; schedule of changes in net pension liability and related ratios; schedule of pension contributions; and schedule of changes in total OPEB liability and related ratios on pages 7-16 and pages 55-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce, Texas' basic financial statements. The accompanying combining nonmajor fund financial statements on pages 60 - 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplementary schedules section on pages 63-65 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024, on our consideration of the City of Commerce, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Commerce, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Commerce, Texas' internal control over financial reporting and compliance.

Scott, Singleton, Fincher and Company, PC

Scott, Singleton, Fincher and Company, PC
Certified Public Accountants
Greenville, Texas
April 16, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Management of the City of Commerce presents the City's financial statements. This overview is an analysis of the financial activities of the City for the fiscal year ended September 30, 2023. This discussion should be read in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Net Position is \$21,448,948. Of this amount, \$15,746,270 is invested in capital assets or restricted for debt service, capital projects, and other specific expenses. The remaining \$5,702,678 is unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.
- Government-wide net position increased by \$833,892.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – \$230,339 increase
Debt Service Fund – \$17,131 decrease
Capital Projects Fund - \$1,876,685 increase
Other Governmental Funds – \$985,835 increase
Water, Sewer, & Environmental Waste Services Fund – \$11,480 increase
Water District Fund – \$495 increase
Internal Service Fund – \$375,836 increase

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and appropriations from the State. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Non-financial factors should also be considered to fully assess the overall health of the City, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, judicial, fire and emergency services, community development, public works, police, parks and recreation, library, and airport activities. Property taxes and state and federal grants finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary - use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash), and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom or adjacent to each of the governmental fund financial statements.

Proprietary Funds – The Proprietary Funds are used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net position serves as one useful indicator of a government’s financial position. In the case of the City, the combined net position exceeded liabilities by \$21,448,948 and 20,609,501 at the close of FY 2023 and FY 2022, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net position of the City’s activities increased by \$839,447. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$5,702,678.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS:

As the City completed the year, the City’s governmental funds reported fund balance of \$13,490,484 and the proprietary funds reported net position of \$10,804,389 for a reported combined fund balance and net position of \$24,294,873, which is a \$3,087,703 increase from last year. A large portion of the increase is from unspent bond proceeds recorded in the capital projects fund plus street maintenance fees collected but unspent at the end of FY2023.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City’s capital assets reported in governmental activities and business-type activities were \$16,725,637, and \$17,614,410, respectively. This investment in capital assets includes land, buildings and improvements, equipment, vehicles, right-of-use leased assets, and right-of-use SBITAs (subscription-based information technology agreements). The change in the City’s capital assets for the current fiscal year was a \$1,469,408 increase and a \$2,785,485 increase in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had \$30,375,177 in bonds payable, notes payable, lease liabilities, and SBITA liabilities outstanding, which is an increase of \$6,449,172. Additional information on long-term liabilities can be found in note 6 to the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK:

The expansion of the DFW population and market continues to impact Hunt County. While much of that impact is most prominent in southwest Hunt County, the City of Commerce has begun to see a positive impact as well. The local economy continues to grow at a controlled pace, and the City is working to stay ahead of and to facilitate this growth.

There are three fundamental factors that are fueling this economic growth:

1. The expansion of the DFW market is resulting in population growth for Hunt County. As the southwestern portions of Hunt County experience rapid population growth, there is a trend of migration further east to maintain a more rural lifestyle. We routinely hear that it is “quieter” and “less traffic” and that is desirable to some people. This is leading to growth for our community, but not at an overwhelming pace.
2. The development of Lake Ralph Hall continues to provide positive impacts for the local economy. With the creation of this new water source, Commerce is ideally located within 20 minutes of two different lakes and the recreation opportunities they provide.

3. The Texas A&M University – Commerce’s move to NCAA Division I athletics has already begun to create economic momentum.
 - a. A new Dairy Queen restaurant is under design and is expected to open in 2025.
 - b. Construction for a new sit-down restaurant next to CVS will begin and is expected to open in 2025.
 - c. TAMU-C had a ground-breaking ceremony and will begin construction on a new \$40+ Million Ag Science and competition arena that will bring many students and visitors to the economy.
 - d. TAMU-C has received approval from the Board of Regents to complete the design of a new 4,000-5,000 seat indoor sports arena and a complimentary hotel/retail space to support it. While construction is a few years away, this will have a significant impact to our economy.

UPCOMING DEVELOPMENTS:

Residential Development:

- Housing construction has begun for the first Phase of the East Oak Creek subdivision by Bloomfield Homes. Sales of the new homes have been positive. Phase 1 will be 110 new homes. Bloomfield has submitted the plans for Phase II of the development.
- The city continues to see strong in-fill development happening with new single-family homes being constructed on individual lots all around the community.

Commercial & Industrial Development:

- Commerce ISD has begun construction on the new Middle School and sports complex, which will improve the level of service they provide to the District.
- Starbucks is open.
- The Whataburger is open.
- The city’s Downtown Master Plan was adopted and there are already real estate transactions with potential development in the downtown district.
- Hydro Aluminum continues to be an industry leading plant across the entire nation in the aluminum recycling space.
- Mohawk leads their corporate national presence in carpet pad production and efficiency.
- Gramazini Stone continues to expand their Brazilian operations into the U.S. here in Commerce. They have begun buying stone quarries across the U.S. and will be shipping raw material to the Commerce location for production.

GENERAL FUND BUDGETARY HIGHLIGHTS:

Revenues exceeded budgeted amounts primarily in sales tax, which resulted from increased consumer spending, and interest income, which resulted from a significant increase in interest rates. Expenditures exceeded budgeted amounts primarily due to the General Fund’s transfer out to the Internal Service Fund for the acquisition of capital assets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please do not hesitate to contact the City Manager or the Assistant City Manager-Financial Services by phone at (903) 886-1131 or by E-mail at howdy.lisenbee@commercetx.org or Jamie.Campbell@commercetx.org.

City of Commerce, Texas
Comparative Statements of Net Position
September 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ASSETS						
Current and other assets	\$ 14,333,550	\$ 12,647,664	\$ 5,263,938	\$ 5,209,397	\$ 19,597,488	\$ 17,857,061
Capital assets, net	16,725,637	15,256,229	17,614,410	14,828,925	34,340,047	30,085,154
Total Assets	31,059,187	27,903,893	22,878,348	20,038,322	53,937,535	47,942,215
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	1,457,163	516,051	184,241	67,900	1,641,404	583,951
Total Deferred Outflows of Resources	1,457,163	516,051	184,241	67,900	1,641,404	583,951
LIABILITIES						
Other liabilities	2,763,931	2,313,092	859,408	805,303	3,623,339	3,118,395
Long-term debt	18,993,476	15,517,118	11,381,701	8,408,887	30,375,177	23,926,005
Total Liabilities	21,757,407	17,830,210	12,241,109	9,214,190	33,998,516	27,044,400
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	114,384	772,647	17,091	99,618	131,475	872,265
Total Deferred Inflows of Resources	114,384	772,647	17,091	99,618	131,475	872,265
NET POSITION						
Net investment in capital assets	6,578,212	6,631,435	8,882,089	9,082,720	15,460,301	15,714,155
Restricted	285,969	373,771	-	-	285,969	373,771
Unrestricted	3,780,378	2,811,881	1,922,300	1,709,694	5,702,678	4,521,575
Total Net Position	\$ 10,644,559	\$ 9,817,087	\$ 10,804,389	\$ 10,792,414	\$ 21,448,948	\$ 20,609,501

City of Commerce, Texas
Comparative Statements of Activities
For the Years Ending September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 1,742,727	\$ 1,340,765	\$ 6,713,474	\$ 6,578,113	\$ 8,456,201	\$ 7,918,878
Operating grants/contributions	599,876	974,110	627,863		1,227,739	974,110
Capital grants/contributions				281,387	-	281,387
General revenues:						
Ad valorem taxes	3,820,967	3,455,578			3,820,967	3,455,578
Sales taxes	1,529,038	1,461,792			1,529,038	1,461,792
Franchise Taxes	539,075	518,608			539,075	518,608
Other	2,011,408	502,476	27,880	8,834	2,039,288	511,310
Total revenues	10,243,091	8,253,329	7,369,217	6,868,334	17,612,308	15,121,663
Expenses:						
Administration	2,303,790	1,869,701			2,303,790	1,869,701
Police department	2,259,305	2,056,099			2,259,305	2,056,099
Fire and emergency services	1,614,512	1,417,055			1,614,512	1,417,055
Public works	908,487	826,025			908,487	826,025
Parks and recreation	542,788	399,420			542,788	399,420
Development services	497,425	243,125			497,425	243,125
Judicial	69,279	67,556			69,279	67,556
Library	62,787	77,067			62,787	77,067
Airport	163,425	153,111			163,425	153,111
Interest and fiscal charges	467,022	252,443			467,022	252,443
Bond issuance costs	170,592	607,305			170,592	607,305
Water, sewer, and environmental waste services			7,369,004	6,196,709	7,369,004	6,196,709
Total Expenses	9,059,412	7,968,907	7,369,004	6,196,709	16,428,416	14,165,616
Excess (deficiency) before transfers	1,183,679	284,422	213	671,625	1,183,892	956,047
Transfers	(361,762)		11,762		(350,000)	-
Change in Net Position	821,917	284,422	11,975	671,625	833,892	956,047
Net position - October 1 *	9,822,642	9,532,665	10,792,414	10,120,789	20,615,056	19,653,454
Net position - September 30	\$ 10,644,559	\$ 9,817,087	\$ 10,804,389	\$ 10,792,414	\$ 21,448,948	\$ 20,609,501

* Beginning of year balances in accordance with GASB Stmt. No. 96, *Subscription-Based Information Technology Arrangements*.

City of Commerce, Texas
Comparative Balance Sheets
Governmental Funds
September 30, 2023 and 2022

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds	
					2023	2022
Assets						
Cash and cash equivalents	\$ 2,797,335	\$ 82,568	\$ -	\$ 1,573,162	\$ 4,453,065	\$ 4,327,913
Cash and cash equivalents - restricted			8,846,051	162,626	9,008,677	7,183,686
Investments	14,959				14,959	14,788
Sales taxes receivable	305,945				305,945	292,767
Property taxes receivable, net	189,719	64,903			254,622	283,063
Franchise taxes receivable	13,645				13,645	15,243
Grants receivable				8,773	8,773	1,817
Fines receivable, net	46,578				46,578	47,781
Other receivables	72,154			32,224	104,378	78,735
Due from other funds					-	638
Prepays	57,647			-	57,647	53,508
Inventory	15,469				15,469	14,866
Total Assets	\$ 3,513,451	\$ 147,471	\$ 8,846,051	\$ 1,776,785	\$ 14,283,758	\$ 12,314,805
Liabilities						
Accounts payable	\$ 31,637	\$ -	\$ -	\$ 2,368	\$ 34,005	\$ 157,077
Other accrued liabilities	20,550				20,550	1,747
Unearned grant revenues				437,519	437,519	1,434,436
Total Liabilities	52,187	-	-	439,887	492,074	1,593,260
Deferred Inflows of Resources						
Unavailable property tax revenues	189,719	64,903	-	-	254,622	263,310
Unavailable court fine revenues	46,578				46,578	43,479
Total Deferred Inflows of Resources	236,297	64,903	-	-	301,200	306,789
Fund Balances						
Nonspendable:						
Inventory	73,116				73,116	14,866
Restricted for:						
Debt service		82,568			82,568	99,699
Court security & technology				63,955	63,955	59,276
Employee benefits				-	-	126,967
Hotel/motel				98,671	98,671	69,727
Police Department Seizures	13,539				13,539	13,539
Federal Seizures	30,815				30,815	4,601
Capital improvements			8,769,009		8,769,009	6,892,324
Committed for:						
Animal Shelter			77,042		77,042	77,042
Streets				218,736	218,736	-
Assigned for:						
Airport				860,410	860,410	3,206
Streets	71,636				71,636	93,231
Grants				96,727	96,727	91,877
Unassigned	3,035,861			(1,601)	3,034,260	2,868,401
Total Fund Balances	3,224,967	82,568	8,846,051	1,336,898	13,490,484	10,414,756
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,513,451	\$ 147,471	\$ 8,846,051	\$ 1,776,785	\$ 14,283,758	\$ 12,314,805

City of Commerce, Texas
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Years Ending September 30, 2023 and 2022

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds	
					2023	2022
Revenues:						
Ad valorem taxes	\$ 2,751,016	\$ 1,078,639	\$ -	\$ -	\$ 3,829,655	\$ 3,457,795
Franchise taxes	539,075				539,075	518,608
Sales tax	1,529,038				1,529,038	1,461,792
Beverage tax	14,658				14,658	15,667
Hotel and motel tax				54,314	54,314	55,901
Payments in lieu of taxes	203,398				203,398	193,294
Fines	48,159			8,642	56,801	93,430
Administration fees from proprietary funds	741,737				741,737	754,875
Permits and inspection fees	341,011				341,011	118,822
Street maintenance fees				244,451	244,451	-
Intergovernmental	58,376				58,376	59,208
Component unit administration fees	129,607				129,607	117,412
Other income	302,674			-	302,674	856,748
Donations	11,615			-	11,615	4,190
Charges for services	61,858			6,781	68,639	106,771
Rents and leases	7,125			9,017	16,142	10,417
Interest	623,184			5,279	628,463	119,624
Federal state and local grants	591,103			8,773	599,876	972,510
Total Revenues	7,953,634	1,078,639	-	337,257	9,369,530	8,917,064
Expenditures:						
Administration	2,120,615			25,370	2,145,985	2,469,458
Police department	2,141,815		30,000		2,171,815	2,075,890
Fire and emergency services	1,503,359				1,503,359	1,381,313
Public works	702,493			25,715	728,208	616,239
Parks and recreation	428,535			8,392	436,927	390,472
Community development	482,080				482,080	251,239
Judicial	62,183			3,963	66,146	70,839
Library	62,787				62,787	80,372
Airport				24,798	24,798	14,484
Capital outlay			1,497,374		1,497,374	1,109,196
Bond issuance costs			170,592		170,592	607,305
Debt Service:						
Principal		614,926			614,926	695,000
Interest and fiscal charges		480,844			480,844	187,348
Total Expenditures	7,503,867	1,095,770	1,697,966	88,238	10,385,841	9,949,155
Excess (Deficiency) of Revenues Over Expenditures	449,767	(17,131)	(1,697,966)	249,019	(1,016,311)	(1,032,091)
Other Financing Sources (Uses):						
Proceeds from long-term debt			3,574,651		3,574,651	13,362,224
Payment to bond refunding agent					-	(6,754,150)
Proceeds from sale of capital assets	14,938			864,212	879,150	-
Operating transfers in (out)	(234,366)	-	-	(127,396)	(361,762)	-
Net Other Financing Sources (Uses)	(219,428)	-	3,574,651	736,816	4,092,039	6,608,074
Net change in fund balance	230,339	(17,131)	1,876,685	985,835	3,075,728	5,575,983
Fund balance, October 1	2,994,628	99,699	6,969,366	351,063	10,414,756	4,838,773
Fund balance, September 30	\$ 3,224,967	\$ 82,568	\$ 8,846,051	\$ 1,336,898	\$ 13,490,484	\$ 10,414,756

City of Commerce, Texas
Comparative Statements of Fund Net Position
Proprietary Funds
September 30, 2023 and 2022

	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	
			2023	2022
ASSETS				
Cash and cash equivalents	\$ 1,656,653	\$ 12,173	\$ 1,668,826	\$ 1,216,607
Investments	95,556		95,556	94,463
Accounts receivable, net	750,513		750,513	681,078
Grants receivable	-		-	281,387
Due from other funds				
Inventory	42,711		42,711	55,680
Prepaid expenses	-		-	-
Total current assets	2,545,433	12,173	2,557,606	2,329,215
Cash and cash equivalents - restricted	2,706,332		2,706,332	2,748,048
Investments - restricted	-		-	76,244
Net pension asset				56,528
Total other non-current assets	2,706,332	-	2,706,332	2,880,820
Capital Assets:				
Non-depreciable land	639,255		639,255	639,255
Non-depreciable construction in progress	1,304,096		1,304,096	1,118,257
Water & sewer infrastructure	34,344,547		34,344,547	31,039,771
Equipment	3,810,086		3,810,086	3,490,102
Less accumulated depreciation	(22,483,574)		(22,483,574)	(21,458,460)
Capital assets, net	17,614,410	-	17,614,410	14,828,925
Deferred outflows - related to pensions and OPEB	184,241		184,241	67,900
Total deferred outflows of resources	184,241	-	184,241	67,900
Total assets and deferred outflows of resources	\$ 23,050,416	\$ 12,173	\$ 23,062,589	\$ 20,106,860
LIABILITIES				
Accounts payable	\$ 91,674	\$ 7,980	\$ 99,654	\$ 208,705
Accrued salaries and benefits	95,239		95,239	71,778
Other accrued liabilities	7,613		7,613	7,394
Accrued interest payable	30,789		30,789	4,280
Due to other funds	-		-	638
Bonds payable - current	498,000		498,000	476,000
Capital lease payable - current	-		-	220,276
Unearned revenue	-		-	-
Meter deposits payable	341,035		341,035	305,716
Total current liabilities	1,064,350	7,980	1,072,330	1,294,787
Accounts payable - restricted cash & cash equivalents	56,952		56,952	161,610
Bonds payable - long-term	10,883,701		10,883,701	7,712,611
Net pension and OPEB liabilities	228,126		228,126	45,820
Total non-current liabilities	11,168,779	-	11,168,779	7,920,041
Total liabilities	12,233,129	7,980	12,241,109	9,214,828
Deferred inflows - related to pensions and OPEB	17,091		17,091	99,618
Total deferred inflows of resources	17,091	-	17,091	99,618
NET POSITION				
Net investment in capital assets	8,882,089		8,882,089	9,082,720
Unrestricted	1,918,107	4,193	1,922,300	1,709,694
Total Net Position	\$ 10,800,196	\$ 4,193	\$ 10,804,389	\$ 10,792,414

City of Commerce, Texas
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Years Ending September 30, 2023 and 2022

	Water and Sewer	Water District	Total Proprietary Funds	
			2023	2022
Operating Revenues:				
Charges for services	\$ 6,066,235	\$ -	\$ 6,066,235	\$ 5,868,642
Water sales	348,350	95,769	444,119	480,258
Penalties	87,230		87,230	75,068
Tap and reconnect fees	96,020		96,020	82,773
Other revenues	24,414		24,414	71,372
Total Operating Revenues	6,622,249	95,769	6,718,018	6,578,113
Operating Expenses:				
Salaries and benefits	1,295,439		1,295,439	1,074,903
Contracted services	1,316,470		1,316,470	1,290,464
Administration fees - general fund	452,920		452,920	464,072
Water purchases and related fees	444,119	95,769	539,888	568,038
Depreciation & amortization	1,028,925		1,028,925	988,285
Utilities and telephone	328,850		328,850	320,985
Repairs and facility maintenance	962,517		962,517	370,939
Chemicals	224,785		224,785	181,484
Payments in lieu of taxes	211,994		211,994	203,419
Bond issuance cost	160,505		160,505	90,389
Other operating expenses	678,364	-	678,364	586,933
Total Operating Expenses	7,104,888	95,769	7,200,657	6,139,911
Operating Income	(482,639)	-	(482,639)	438,202
Nonoperating Revenues (Expenses):				
Interest income	27,385	495	27,880	8,834
Interest and fiscal charges	(168,347)		(168,347)	(56,798)
Gain (loss) on sale of assets	(4,544)		(4,544)	-
Nonoperating Revenues (Expenses)	(145,506)	495	(145,011)	(47,964)
Income (loss) before transfers	(628,145)	495	(627,650)	390,238
Capital grants	627,863		627,863	281,387
Transfers in (out)	11,762		11,762	-
Change in net position	11,480	495	11,975	671,625
Net Position - October 1	10,788,716	3,698	10,792,414	10,120,789
Net Position, September 30	\$ 10,800,196	\$ 4,193	\$ 10,804,389	\$ 10,792,414

BASIC FINANCIAL STATEMENTS

City of Commerce, Texas
Statement of Net Position
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,502,857	\$ 1,668,826	\$ 6,171,683	\$ 4,708,789
Investments	14,959	95,556	110,515	
Property taxes receivable, net	189,719		189,719	
Sales taxes receivable	305,945		305,945	152,973
Franchise taxes receivable	13,645		13,645	
Grants receivable	8,773	-	8,773	
Fines receivable, net	46,578		46,578	
Accounts receivable, net		750,513	750,513	
Other receivables	104,378		104,378	
Inventory	15,469	42,711	58,180	
Restricted assets:				
Cash and cash equivalents	9,008,677	2,706,332	11,715,009	79,154
Property taxes receivable, net	64,903		64,903	
Prepaid expenses	57,647		57,647	
Other receivables				31,256
Capital assets:				
Land	747,343	639,255	1,386,598	468,215
Construction in progress	848,456	1,304,096	2,152,552	
Capital assets, net	15,129,838	15,671,059	30,800,897	
Total Assets	31,059,187	22,878,348	53,937,535	5,440,387
Deferred Outflows of Resources				
Deferred outflows-related to pensions	1,407,934	175,205	1,583,139	
Deferred outflows-related to OPEB	49,229	9,036	58,265	
Total Deferred Outflows of Resources	\$ 1,457,163	\$ 184,241	\$ 1,641,404	\$ -
LIABILITIES				
Accounts payable	\$ 41,900	\$ 99,654	\$ 141,554	\$ 49,825
Accrued salaries and benefits	324,621	95,239	419,860	41,569
Other accrued expenses	20,550	7,613	28,163	
Accounts payable - from restricted assets		56,952	56,952	
Accrued interest	68,482	30,789	99,271	
Meter deposits payable		341,035	341,035	
Unearned revenues	462,929		462,929	
Net pension liability	1,588,646	196,390	1,785,036	
Total OPEB liability	256,803	31,736	288,539	
Long-term liabilities:				
Due within one year:				
Bonds payable	795,955	498,000	1,293,955	
Notes payable	145,874		145,874	
Lease obligations	218,028		218,028	
SBITA obligations	105,016		105,016	
Due in more than one year:				
Bonds payable	16,736,709	10,883,701	27,620,410	
Notes payable	206,103		206,103	
Lease obligations	565,278	-	565,278	
SBITA obligations	220,513		220,513	
Total Liabilities	21,757,407	12,241,109	33,998,516	91,394
Deferred Inflows of Resources				
Deferred inflows-related to pensions	-	-	-	
Deferred inflows-related to OPEB	114,384	17,091	131,475	
Total Deferred Inflows of Resources	114,384	17,091	131,475	-
NET POSITION				
Net investment in capital assets	6,578,212	8,882,089	15,460,301	468,215
Restricted for debt service	78,989		78,989	
Restricted for hotel/motel tax use	98,671		98,671	
Restricted for court security & technology	63,955		63,955	
Restricted for police department & federal seizures	44,354		44,354	
Restricted for USDA revolving loan program				110,410
Restricted for governmental activities capital projects				
\$8,846,051 net of related debt \$8,846,051	-		-	
Restricted for business-type activities capital projects				
\$2,706,332 net of related debt \$2,706,332	-		-	
Unrestricted	3,780,378	1,922,300	5,702,678	4,770,368
Total Net Position	\$ 10,644,559	\$ 10,804,389	\$ 21,448,948	\$ 5,348,993

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
Governmental activities:							
Administration	\$ 2,303,790	\$ 704,893	\$ 587,667	\$ (1,011,230)	\$ -	\$ (1,011,230)	\$ -
Police department	2,259,305			(2,259,305)		(2,259,305)	
Fire and emergency services	1,614,512	58,376	3,436	(1,556,136)		(1,556,136)	
Public works	908,487	668,326		(236,725)		(236,725)	
Parks and recreation	542,788	251,232		(291,556)		(291,556)	
Community development	497,425			(497,425)		(497,425)	
Judicial	69,279	59,900		(9,379)		(9,379)	
Library	62,787			(62,787)		(62,787)	
Airport	163,425	8,773		(154,652)		(154,652)	
Economic development				(170,592)		(170,592)	(192,112)
Bond issuance cost	170,592			(170,592)		(170,592)	
Interest and fiscal charges	467,022			(467,022)		(467,022)	
Total governmental activities	<u>9,059,412</u>	<u>1,742,727</u>	<u>-</u>	<u>(6,716,809)</u>	<u>-</u>	<u>(6,716,809)</u>	<u>(192,112)</u>
Business-type activities:							
Water, Sewer, Environmental	7,369,004	6,713,474	627,863	-	(27,667)	(27,667)	
Waste services	7,369,004	6,713,474	627,863	-	(27,667)	(27,667)	
Total business-type activities	<u>14,738,008</u>	<u>13,426,948</u>	<u>1,255,726</u>	<u>(6,716,809)</u>	<u>(27,667)</u>	<u>(6,744,476)</u>	<u>(192,112)</u>
Total all activities	<u>\$ 16,428,416</u>	<u>\$ 8,456,201</u>	<u>\$ 1,227,739</u>	<u>\$ (6,716,809)</u>	<u>\$ (27,667)</u>	<u>\$ (6,744,476)</u>	<u>\$ (192,112)</u>
General revenues:							
Ad valorem taxes				\$ 3,820,967	\$ -	\$ 3,820,967	\$ -
Sales taxes				1,529,038		1,529,038	772,472
Beverage tax				14,658		14,658	
Franchise taxes				539,075		539,075	
Payments in lieu of taxes				203,398		203,398	
Hotel taxes				54,314		54,314	
Other income and contributions				231,425		231,425	
Gain on sale of capital assets				879,150		879,150	94,376
Unrestricted investment earnings				628,463	27,880	656,343	172,696
Transfers in (out)				(361,762)	11,762	(350,000)	
Total general revenues and transfers				<u>7,538,726</u>	<u>39,642</u>	<u>7,578,368</u>	<u>1,039,544</u>
Change in net position				821,917	11,975	833,892	847,432
Net position -beginning of year *				9,822,642	10,792,414	20,615,056	4,501,561
Net position-end of year				<u>\$ 10,644,559</u>	<u>\$ 10,804,389</u>	<u>\$ 21,448,948</u>	<u>\$ 5,348,993</u>

* Beginning of year balances in accordance with GASB Stmt. No. 96, Subscription-Based Information Technology Agreements.

The accompanying notes are an integral of this financial statement.

City of Commerce, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,797,335	\$ 82,568	\$ -	\$ 1,573,162	\$ 4,453,065
Cash and cash equivalents-restricted			8,846,051	162,626	9,008,677
Investments	14,959				14,959
Sales taxes receivable	305,945				305,945
Property taxes receivable, net	189,719	64,903			254,622
Franchise taxes receivable	13,645				13,645
Grants receivable				8,773	8,773
Fines receivable, net	46,578				46,578
Other receivables	72,154			32,224	104,378
Prepays	57,647				57,647
Inventory	15,469				15,469
Total Assets	\$ 3,513,451	\$ 147,471	\$ 8,846,051	\$ 1,776,785	\$ 14,283,758
Liabilities					
Accounts payable	\$ 31,637	\$ -	\$ -	\$ 2,368	\$ 34,005
Other accrued liabilities	20,550				20,550
Unearned grant revenues				437,519	437,519
Total Liabilities	52,187	-	-	439,887	492,074
Deferred Inflows of Resources					
Unavailable property tax revenues	189,719	64,903			254,622
Unavailable court fine revenues	46,578				46,578
Total Deferred Inflows of Resources	236,297	64,903	-	-	301,200
Fund Balances					
Nonspendable:					
Inventory and Prepays	73,116				73,116
Restricted for:					
Debt service		82,568			82,568
Court security & technology				63,955	63,955
Hotel/motel				98,671	98,671
Police Department Seizures	13,539				13,539
Federal Seizures	30,815				30,815
Capital improvements			8,769,009		8,769,009
Committed for:					
Animal shelter			77,042		77,042
Streets				218,736	218,736
Assigned for:					
Airport				860,410	860,410
Streets	71,636				71,636
Grants				96,727	96,727
Unassigned	3,035,861			(1,601)	3,034,260
Total Fund Balances	3,224,967	82,568	8,846,051	1,336,898	13,490,484
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,513,451	\$ 147,471	\$ 8,846,051	\$ 1,776,785	\$ 14,283,758

Governmental fund balances as presented above: **\$ 13,490,484**

Amounts presented for governmental activities in the statement of net position are different because:

Capital assets reported in the statement of net position do not represent current financial resources and are not reported in the fund balance sheet.	14,310,619
Other long-term assets (receivables) are not available to pay current-period expenditures and therefore are deferred in the funds. These include deferred inflows of property taxes of \$254,622 and court fines of \$46,578.	301,200
Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but do not become a liability in the fund statements until the date due.	(68,482)
An internal service fund is used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	970,693
Long-term amounts for related pension liabilities (\$1,588,646), deferred outflows related to pensions \$1,407,934, and are not recorded in the funds.	(180,712)
Long-term liabilities for related total OPEB liability (\$256,803) and deferred inflows related to OPEB (\$114,384), and deferred outflows related to OPEB \$49,229 are not recorded in the funds.	(321,958)
Long-term liabilities are reported in the statement of net position but are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. This amount consists of bonds payable (\$17,532,664) and long-term compensated absences (\$324,621).	(17,857,285)

Net Position - Governmental Activities **\$ 10,644,559**

City of Commerce, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2023

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 2,751,016	\$ 1,078,639	\$ -	\$ -	\$ 3,829,655
Franchise taxes	539,075				539,075
Sales tax	1,529,038				1,529,038
Beverage tax	14,658				14,658
Hotel and motel tax				54,314	54,314
Payments in lieu of taxes	203,398				203,398
Fines	48,159			8,642	56,801
Administration fees - proprietary funds	741,737				741,737
Permits and inspection fees	341,011				341,011
Street maintenance fee				244,451	244,451
Intergovernmental	58,376				58,376
Component unit administration fees	129,607				129,607
Other income	302,674				302,674
Donations	11,615				11,615
Charges for services	61,858			6,781	68,639
Rents and leases	7,125			9,017	16,142
Interest	623,184			5,279	628,463
Federal, state and local grants	591,103			8,773	599,876
Total Revenues	7,953,634	1,078,639	-	337,257	9,369,530
Expenditures:					
Administration	2,120,615			25,370	2,145,985
Police department	2,141,815		30,000		2,171,815
Fire and emergency services	1,503,359				1,503,359
Public works	702,493			25,715	728,208
Parks and recreation	428,535			8,392	436,927
Community development	482,080				482,080
Judicial	62,183			3,963	66,146
Library	62,787				62,787
Airport				24,798	24,798
Bond issue costs			170,592		170,592
Capital outlay			1,497,374		1,497,374
Debt Service:					
Principal		614,926			614,926
Interest and fiscal charges		480,844			480,844
Total Expenditures	7,503,867	1,095,770	1,697,966	88,238	10,385,841
Excess (Deficiency) of Revenues Over (Under) Expenditures	449,767	(17,131)	(1,697,966)	249,019	(1,016,311)
Other Financing Sources (Uses):					
Proceeds from long-term debt			3,574,651		3,574,651
Proceeds from sale of capital assets	14,938			864,212	879,150
Operating transfers in (out)	(234,366)	-	-	(127,396)	(361,762)
Net Other Financing Sources (Uses)	(219,428)	-	3,574,651	736,816	4,092,039
Net change in fund balance	230,339	(17,131)	1,876,685	985,835	3,075,728
Fund balance, beginning	2,994,628	99,699	6,969,366	351,063	10,414,756
Fund balance, ending	\$ 3,224,967	\$ 82,568	\$ 8,846,051	\$ 1,336,898	\$ 13,490,484

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2023

Net change in fund balances - total governmental funds (from previous page) **\$ 3,075,728**

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$1,497,374 exceeded depreciation expense of (\$786,597). 710,777

An internal service fund is used by management to charge the use of fleet management to individual funds. The change in net position of (\$375,836) is included in governmental activities. 375,836

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt retired for the year \$614,926 less bonds issued (\$3,574,651). (2,959,725)

Changes in long-term liability for the compensated absences obligation does not require the use of current resources and therefore is not recorded in the funds. (56,323)

Changes in long term amounts for net pension assets (\$2,045,915), the related deferred outflows of resources related to pensions \$950,653 and the related deferred inflows of resources related to pensions \$759,595 are not recorded in the funds. (335,667)

Changes in long term amounts for total OPEB liabilities \$113,931, and the related deferred outflows of resources related to OPEB (\$9,541), and the related deferred inflows of resources related to OPEB (\$101,332), are not recorded in the funds. 3,058

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of (\$8,688) and unavailable deferred court fines of \$3,099. (5,589)

Amortization of bond premiums in not recorded in the funds, but decreases interest expense over time in the statement of activities. This is the amount of amorization of premiums for the year. 17,392

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This represents the increase in accrued interest on debt. (3,570)

Change in net position - governmental activities **\$ 821,917**

City of Commerce, Texas
Statement of Fund Net Position
Proprietary Funds
September 30, 2023

	Business-type Activities			Governmental Activities
	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Internal Service Fund
ASSETS				
Cash and cash equivalents	\$ 1,656,653	\$ 12,173	\$ 1,668,826	\$ 49,792
Investments	95,556		95,556	
Accounts receivable, net	750,513		750,513	
Inventory	42,711		42,711	
Prepaid expenses	-		-	
Total current assets	2,545,433	12,173	2,557,606	49,792
Cash and cash equivalents - restricted	2,706,332		2,706,332	
Total other non-current assets	2,706,332	-	2,706,332	-
Capital Assets:				
Non-depreciable land	639,255		639,255	
Non-depreciable Construction in progress	1,304,096		1,304,096	
Water & sewer infrastructure	34,344,547		34,344,547	
Buildings and equipment	3,810,086		3,810,086	4,320,996
Less accumulated depreciation and amortization	(22,483,574)		(22,483,574)	(1,905,978)
Capital Assets, net	17,614,410	-	17,614,410	2,415,018
Deferred outflows of resources:				
Deferred outflows - related to pensions	175,205		175,205	
Deferred outflows - related to OPEB	9,036		9,036	
Total deferred outflows of resources	184,241	-	184,241	-
Total assets and deferred outflows of resources	\$ 23,050,416	\$ 12,173	\$ 23,062,589	\$ 2,464,810
LIABILITIES				
Accounts payable	\$ 91,674	\$ 7,980	\$ 99,654	\$ 7,895
Accrued salaries and benefits	95,239		95,239	
Other accrued liabilities	7,613		7,613	
Unearned revenues				25,410
Accrued interest payable	30,789		30,789	
Bonds and notes payable - current	498,000		498,000	145,874
Lease obligations - current			-	218,028
SBITA obligations - current				105,016
Meter deposits payable	341,035		341,035	
Total current liabilities	1,064,350	7,980	1,072,330	502,223
Accounts payable - restricted cash and cash equivalents	56,952		56,952	
Bonds and notes payable - long-term	10,883,701		10,883,701	206,103
Lease obligations - long-term			-	565,278
SBITA obligations - long-term				220,513
Net pension liability	196,390		196,390	
Total OPEB liability	31,736		31,736	
Total non-current liabilities	11,168,779	-	11,168,779	991,894
Total liabilities	12,233,129	7,980	12,241,109	1,494,117
Deferred inflows of resources:				
Deferred inflows - related to pensions	-		-	
Deferred inflows - related to OPEB	17,091		17,091	
Total deferred inflows of resources	17,091	-	17,091	-
NET POSITION				
Net investment in capital assets	8,882,089		8,882,089	954,206
Restricted for capital projects, \$2,706,332 net of related debt, \$2,706,332	-		-	
Unrestricted	1,918,107	4,193	1,922,300	16,487
Total Net Position	\$ 10,800,196	\$ 4,193	\$ 10,804,389	\$ 970,693

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2023

	Business-type Activities			Governmental Activities
	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 6,066,235	\$ -	\$ 6,066,235	\$ 464,152
Water sales	348,350	95,769	444,119	
Penalties	87,230		87,230	
Tap and reconnect fees	96,020		96,020	
Operating grants	627,863		627,863	
Other revenues	24,414		24,414	
Total Operating Revenues	7,250,112	95,769	7,345,881	464,152
Operating Expenses:				
Salaries and benefits	1,295,439		1,295,439	
Contracted services	1,316,470		1,316,470	
Administration fees - general fund	452,920		452,920	
Water purchases and related fees	444,119	95,769	539,888	
Depreciation & amortization	1,028,925		1,028,925	460,744
Utilities	328,850		328,850	
Repairs and facility maintenance	962,517		962,517	
Chemicals	224,785		224,785	
Payments in lieu of taxes	211,994		211,994	
Bond issuance cost	160,505		160,505	
Other operating expenses	678,364		678,364	
Total Operating Expenses	7,104,888	95,769	7,200,657	460,744
Operating Income	145,224	-	145,224	3,408
Nonoperating Revenues (Expenses):				
Interest income	27,385	495	27,880	
Interest and fiscal charges	(168,347)		(168,347)	(43,271)
Gain (loss) on sale of assets	(4,544)		(4,544)	65,699
Nonoperating Revenues (Expenses)	(145,506)	495	(145,011)	22,428
Income (loss) before transfers	(282)	495	213	25,836
Transfers in (out)	11,762		11,762	350,000
Change in net position	11,480	495	11,975	375,836
Net Position, October 1	10,788,716	3,698	10,792,414	594,857
Net Position, September 30	\$ 10,800,196	\$ 4,193	\$ 10,804,389	\$ 970,693

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023

	Water, Sewer and Environmental Waste	Water District	Total Proprietary Funds	Governmental Activities Internal Service Fund
Cash flows from operating activities:				
Cash received from customers and users	\$ 6,552,814	\$ 95,769	\$ 6,648,583	\$ -
Cash received from internal charges to other funds			-	464,152
Cash paid to employees	(1,232,012)		(1,232,012)	
Cash paid for internal charges to General Fund	(452,920)		(452,920)	
Cash received from operating grants	627,863		627,863	
Cash paid to vendors	(4,528,125)	(95,769)	(4,623,894)	17,417
Net cash provided (used) by operating activities	967,620	-	967,620	481,569
Cash flows from noncapital financing activities:				
Change in customer deposits	35,319		35,319	
Transfers in from other funds	11,762		11,762	350,000
Increase (decrease) in due to/from other funds	(638)		(638)	
Net cash provided (used) by noncapital financing activities	46,443	-	46,443	350,000
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(3,819,393)		(3,819,393)	(83,918)
Proceeds from sale of capital assets	439		439	8,561
Cash received from capital grants	281,387		281,387	
Proceeds from issuance of bonds	3,675,267		3,675,267	
Principal payments - bonds payable	(476,000)		(476,000)	
Principal payments - lease & SBITA obligations	(220,276)		(220,276)	(538,738)
Interest paid on bonds, lease, & SBITA obligations	(148,015)		(148,015)	(43,272)
Net cash provided (used) by capital and related financing activities	(706,591)	-	(706,591)	(657,367)
Cash flows from investing activities:				
Net redemptions (purchases) of investments	75,151		75,151	
Investment earnings	27,385	495	27,880	
Net cash provided (used) by investing activities	102,536	495	103,031	-
Net change in cash and cash equivalents	410,008	495	410,503	174,202
Cash and cash equivalents - beginning of year	3,952,977	11,678	3,964,655	(124,410)
Cash and cash equivalents - end of year	<u>\$ 4,362,985</u>	<u>\$ 12,173</u>	<u>\$ 4,375,158</u>	<u>\$ 49,792</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 145,224	\$ -	\$ 145,224	\$ 3,408
Adjustments to reconcile operating results to net cash provided (used) by operating activities:				
Depreciation and amortization	1,028,925		1,028,925	460,744
(Increase) decrease in accounts receivable	(69,435)		(69,435)	
(Increase) decrease in inventory	12,969		12,969	
(Increase) decrease in deferred outflows - related to pensions	(117,521)		(117,521)	
(Increase) decrease in deferred outflows - related to OPEB	1,180		1,180	
Increase (decrease) in accounts payable and deferred revenue	(213,490)		(213,490)	17,417
Increase (decrease) in accrued salaries and benefits	23,461		23,461	
Increase (decrease) in net pension liability	252,918		252,918	
Increase (decrease) in total OPEB liability	(14,084)		(14,084)	
Increase (decrease) in deferred inflows - related to pensions	(4,564)		(4,564)	
Increase (decrease) in deferred inflows - related to OPEB	(77,963)		(77,963)	
Total adjustments	822,396	-	822,396	478,161
Net cash provided (used) by operating activities	\$ 967,620	\$ -	\$ 967,620	\$ 481,569
Noncash investing, capital, and financing activities				
Capital assets acquired through lease obligations	\$ -	\$ -	\$ -	\$ 751,122
Capital assets acquired through SBITA obligations	\$ -	\$ -	\$ -	\$ 81,580

The accompanying notes are an integral part of this financial statement.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Commerce, Texas and its component units, Commerce Economic Development Corporation and Commerce Water District, collectively identified as the “City” have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ending September 30, 2023.

(A) Reporting Entity and Related Organizations

The City was incorporated in 1885. The City is a municipal corporation governed by an elected mayor and a four member City Council. The City provides general administration, public works, police and judicial, fire and emergency services, water and sewer services, and waste management services to its residents. The Council hires a City Manager for day to day operations.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental “reporting entity” as defined by Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39 as amended by GASB Statement 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2023:

Discretely Presented Component Unit:

Commerce Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Commerce, Texas.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies - continued

Blended Component Unit:

Commerce Water District (CWD) – CWD owns water distribution facilities in order to provide treated water to the City of Commerce, Texas. The CWD is governed by a board appointed by the City Council.

Neither CEDC nor CWD prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported in separate columns with composite columns for non-major funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions unless they conflict with GASB pronouncements.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies - continued

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units are also prepared using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest payments and compensated absences which are reported as expenditures when they are due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary funds are charges to customers for water and sewer sales or services and solid waste disposal fees. Principal operating expenses are the costs of providing these goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds - The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund - accounts for the proceeds of a bond issue that will be utilized for capital improvement.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies – continued

Grant Fund – accounts for the receipt and expenditure of grant funds.

Additionally, the City maintains the following non-major governmental funds:

Airport Fund - accounts for the activities of the City’s airport.

Street Maintenance Fund - accounts for the collections and related expenditures for street repairs and maintenance.

Recreational Programs Fund - accounts for the operating activities of certain City recreational programs.

Hotel/Motel Tax Fund - accounts for the collections and related expenditures of the City Hotel/Motel tax.

Employee Benefits Trust Fund - accounts for contributions and related expenditures made for City employee benefits. This fund was closed on 10/1/2022.

Municipal Court Security Fund – accounts the portion of fines revenue designated for funding security services for the municipal court building.

Municipal Court Technology Fund – accounts the portion of fines revenue designated for the purchase or maintenance of technological enhancements for the municipal court.

The City reports the following major proprietary funds:

Water, Sewer, and Environmental Waste Services Fund - accounts for the operating activities of the City's water, sewer, and environmental waste utility services.

Additionally, the City reports the following non-major proprietary funds:

Commerce Water District Fund – accounts for the purchase and sale of water to the Sabine Water Authority. Activities of the fund include water purchases, water sales, and administration fees.

Internal Service Fund – accounts for the financing of goods and services provided by the fund to other funds and departments on a cost reimbursement basis.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains cash and investment pools which are shared by the various governmental and proprietary funds. In addition, non-pooled cash and investments are separately held and reflected in the respective individual funds. These pooled and non-pooled cash and investment pools are displayed on its respective balance sheet as “cash and cash equivalents” and “investments.”

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies – continued

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value. Bank certificates of deposit are carried at cost which approximates fair value.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the consumption method. Under this method, a governmental expenditure is recognized when the inventory items are used. Inventories at cost stated on a first-in, first-out basis in both the government-wide and fund financial statements..

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaid items are similarly reported in government-wide and fund financial statements.

GASB 87 Leases

The City has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 provides better information to the users of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City recognizes a right-to-use lease asset, an intangible asset, and a corresponding lease obligation at the commencement of the lease term when the leased asset is placed into service. The lease obligation is initially measured at the present value of lease payments expected to be made during the lease term. Future lease payments are discounted using the estimated incremental borrowing rate for the City. The City recognizes amortization of the principal payment on the lease liability as an outflow of resources.

GASB 96 Subscription Based Information Technology Arrangements (SBITA)

Effective October 1, 2022, the City adopted the provisions of GASB Statement No. 96, *Subscription Based Information Technology Arrangements* (SBITA). A SBITA is defined as a contract that conveys control of the right to use another party's (an SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, the City recognizes a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability at the commencement of the subscription term when the subscription asset is placed into service.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies – continued

GASB 96 Subscription Based Information Technology Arrangements (SBITA) - continued

The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the incremental borrowing rate specified in the agreement. If the interest rate is not specified, the City uses their estimated incremental borrowing rate. The City recognizes amortization of the principal payment on the subscription liability as an outflow of resources. The effect of adopting this new standard on beginning net position was an increase of \$5,555.

Capital Assets, Depreciation, and Amortization

The City's capital assets are comprehensively reported in the government-wide financial statements and include property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if donated, at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. Capital assets also include intangible right-of-use leased and SBITA assets which are recorded at implementation cost plus the net present value of the future contractual payment obligation. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20 – 40 years
Road infrastructure	20 - 25 years
Water & sewer infrastructure & rights	20 - 40 years
Vehicles	7 years
Furniture, machinery, and equipment	5 -10 years
Right-of-use leased assets	Lease term
Right-of-use SBITA assets	Shorter of subscription term or useful life

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies – continued

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave and comp time is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment. Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are charged to expense or expenditure when incurred. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

1. Introduction and Summary of Significant Accounting Policies – continued

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council. The City Council delegates the responsibility to assign funds to the City Manager, Director of Finance, or other designee as determined by the Council.

Unassigned - all other spendable amounts in the general fund.

When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

2. Stewardship, Compliance, and Accountability - continued

Each fund has an approved budget that is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the individual fund level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on a basis consistent with GAAP. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented using this accounting basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Commerce, Texas (primary government) and its component units, CEDC and CWD, are fully insured or collateralized with securities held by the City or component unit, its agent, or by the pledging financial institution's trust department or agent in the name of the City or component unit, respectively at year-end.

Investments

Investments, when applicable, are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the City had no investments subject to the fair value hierarchy established by generally accepted accounting principles. For investments in local government pools, the reported value of the pool is the same as the fair value of the pool shares.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

3. Deposits and Investments - continued

Below are the City's investments stated fair value at fiscal year-end:

	Fair Value	Rating	Weighted Average Maturity (Days)
Certificates of deposit	\$ 110,515	N/A	267
Total investments	\$ 110,515		

Ratings are provided where applicable to indicate associated **credit risk**.

During the year ended September 30, 2023, the City invested in certificates of deposit and TexSTAR.

TexSTAR, a public funds investment pool created and managed by First Southwest Asset Management, Inc. is empowered to invest funds and act as custodian of investments purchased by local governments. Authorized investments of TexSTAR include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. The carrying amount of the City's investment in TexSTAR is at fair value. In January 2023, the City closed its TexSTAR account. At year-end, the carrying amount and fair value of the City's investment in TexSTAR was \$-0-.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Finance Director. Investing is performed in accordance with investment policies adopted by the City Council in compliance with the Public Funds Investment Act. City investment policy and state statute generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, public funds investment pools, United States treasuries and securities with the United States government's guarantee; obligations of United States government agencies and instrumentalities; and money market funds. During the year ended September 30, 2023, the City did not own any types of securities other than those permitted by the Public Funds Investment Act or by its investment policy. The City substantially complied with the provisions of the Public Funds Investment Act during the year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. City policy also states that unless matched to a specific cash flow requirement, the City may not invest any portion of the City portfolio for a period greater than two years.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types to eliminate the risk of loss from over-concentration of assets in a specific issuer, or a specific class of securities. City investment policy states that with the exception of U. S. Treasury securities, no more than 50% of the City's investment portfolio will be invested in a single security type or with a single financial institution.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

3. Deposits and Investments – continued

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy on safekeeping and custody requires that investments shall be held through third-party safekeeping agreements. All investment funds shall be placed directly with qualified financial institutions selected through the City's banking procurement process. All transactions shall be executed on a delivery versus payment basis.

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Proprietary Fund Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Proprietary Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. Following is the detail of the Proprietary Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$	778,505
Less: allowance for uncollectible accounts		(27,992)
Net accounts receivable	\$	750,513

Property Taxes Receivable, Deferred Inflows of Resources, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Hunt County Tax Appraisal District at 100% of market value.

The property tax rate for the year ended September 30, 2023 was 0.769326 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations - General Fund		0.552469
Debt Service Fund		0.216857
Total tax rate		0.769326

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is expected to be received. Management has recorded a 10% allowance for uncollectible delinquent property taxes of \$28,291 at year-end.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

4. Receivables, Uncollectible Accounts, and Deferred Revenue - continued

The City's full year property tax calendar is as follows:

- October 1: Full year tax levy assessed for the current fiscal year-taxes are due and payable.
- January 1: Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
- February 1: Penalty and interest charges begin to accrue on unpaid past due taxes.
- July 1: Taxes become delinquent and are subject to attorney fees incurred for collection.

Allowance for Uncollectible Taxes

No provisions are made for uncollectible sales tax receivables or grants receivable as management estimates that these amounts will be fully collectible.

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the modified accrual basis. Estimated amounts collected within 60 days of year end are accrued in the General Fund.

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

Following is a summary of fines receivable and the related allowances at year end:

Gross amount of outstanding fines	\$	517,678
Less allowance for uncollectible amounts		(424,508)
Net estimated fine collections		93,170
Less estimated collections due to the State		(46,592)
City fines receivable, net of allowances	\$	<u>46,578</u>

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

5. Capital Assets

Following is a summary of changes in capital assets for the year:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 544,304	\$ 203,039	\$ -	\$ 747,343
Construction in progress	593,388	488,929	(233,861)	848,456
Non-depreciable capital assets	<u>1,137,692</u>	<u>691,968</u>	<u>(233,861)</u>	<u>1,595,799</u>
Depreciable capital assets:				
Buildings & improvements	7,596,246	-	-	7,596,246
Infrastructure	11,504,223	805,407	233,861	12,543,491
Machinery & equipment	3,746,460	85,718	(219,273)	3,612,905
Right-of-use leased assets	1,115,582	751,122	(166,292)	1,700,412
Right-of-use SBITA assets *	350,615	81,580		432,195
Depreciable capital assets	<u>24,313,126</u>	<u>1,723,827</u>	<u>(151,704)</u>	<u>25,885,249</u>
Less: accumulated depreciation & amortization	<u>(9,843,974)</u>	<u>(1,247,341)</u>	<u>335,904</u>	<u>(10,755,411)</u>
Governmental Activities				
Capital Assets, net	<u><u>\$ 15,606,844</u></u>	<u><u>\$ 1,168,454</u></u>	<u><u>\$ (49,661)</u></u>	<u><u>\$ 16,725,637</u></u>
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 639,255	\$ -	\$ -	\$ 639,255
Construction in progress	1,118,257	963,040	(777,201)	1,304,096
Non-depreciable capital assets	<u>1,757,512</u>	<u>963,040</u>	<u>(777,201)</u>	<u>1,943,351</u>
Depreciable capital assets:				
Machinery & equipment	3,490,103	328,778	(8,795)	3,810,086
Water & sewer system	31,039,770	3,304,777	-	34,344,547
Depreciable capital assets	<u>34,529,873</u>	<u>3,633,555</u>	<u>(8,795)</u>	<u>38,154,633</u>
Less: accumulated depreciation & amortization	<u>(21,458,460)</u>	<u>(1,028,925)</u>	<u>3,811</u>	<u>(22,483,574)</u>
Business-type Activities				
Capital Assets, net	<u><u>\$ 14,828,925</u></u>	<u><u>\$ 3,567,670</u></u>	<u><u>\$ (782,185)</u></u>	<u><u>\$ 17,614,410</u></u>
Component Unit:				
Non-depreciable capital assets:				
Land	\$ 476,717	\$ -	\$ (8,502)	\$ 468,215
Component Unit				
Capital Assets, Net	<u><u>\$ 476,717</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,502)</u></u>	<u><u>\$ 468,215</u></u>

*Beginning of year balances are recorded in accordance with GASB Stmt. No. 96,
Subscription-Based Information Technology Arrangements.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

5. Capital Assets – continued

For governmental activities, the gross amount of assets included in the machinery and equipment category above which are recorded under lease obligations pursuant to GASB 87 is \$1,700,412. Accumulated amortization of these assets is \$583,809. Net book value is \$1,116,603. Current year amortization expense of \$208,540 is included in depreciation expense on the financial statements.

Depreciation and amortization expense for governmental activities was charged to functions of the City as follows:

Administration	\$	140,339
Community development		3,245
Fire & emergency services		98,772
Airport		138,627
Parks and recreation		105,512
Police		62,580
Public works		237,522
Internal service fund		460,744
Total	\$	1,247,341

Depreciation and amortization expense recorded in business-type activities and the Water and Sewer Fund was \$1,028,925.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

Certificates of obligation bonds issued by the City are backed by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Interest expense for governmental activities was \$467,022, net of \$17,392 of premium amortization. This is reported as a separate line item in the statement of activities. No interest was capitalized in governmental activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Water and Sewer Proprietary Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system. Other debt issued to support business-type activities are capital lease obligations which are secured by the equipment purchased with the capital lease proceeds.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

6. Long-Term Obligations – continued

Following is a summary of changes in long-term obligations for the year:

<i>Governmental Activities</i>	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>	<u>Due Within One Year</u>
<i>Direct Borrowings</i>					
Combination Tax & Revenue					
Certificates of Obligation					
Series 2006, 4.06%, 2006-2026	\$ 74,955	\$ -	\$ (40,000)	\$ 34,955	\$ 34,955
Combination Tax & Revenue					
Certificates of Obligation					
Series 2008, 3.79%, 2008-2023	59,926		(59,926)	-	
General Obligation Refunding and					
Improvement Bonds					
Maturities 2013-2037					
Series 2012, 2.0%-3.75%	-			-	-
Combination Tax & Revenue					
Certificates of Obligation					
Maturities 2021-2040					
Series 2021, 1.25%-3.75%	1,385,000		(35,000)	1,350,000	40,000
General Obligation Refunding Bonds					
Maturities 2022-2037					
Series 2021, 1.75%-4.00%	6,155,000		(240,000)	5,915,000	320,000
Combination Tax & Revenue					
Certificates of Obligation					
Maturities 2023-2042					
Series 2022, 3.00%-3.375%	6,295,000		(85,000)	6,210,000	130,000
Combination Tax & Revenue					
Certificates of Obligation					
Maturities 2024-2043					
Series 2023, 4.00%-5.00%	-	3,025,000	(155,000)	2,870,000	60,000
Tax Note					
Series 2023, 5.00%					
Maturities 2024-2030	-	437,000		437,000	211,000
Bond premium	620,451	112,651	(17,392)	715,710	
Notes payable	513,233	-	(161,256)	351,977	145,874
Lease obligations	413,554	646,122	(276,371)	783,305	218,028
SBITA obligations *	345,060	79,780	(99,311)	325,529	105,016
Total Governmental Activities	<u>\$15,862,179</u>	<u>\$ 4,300,553</u>	<u>\$(1,169,256)</u>	<u>\$18,993,476</u>	<u>\$ 1,264,873</u>

*Beginning of year balances are recorded in accordance with GASB Stmt. No. 96,
Subscription-Based Information Technology Arrangements.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

6. Long-Term Obligations – continued

Business-type Activities

<i>Direct Borrowings</i>	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>	<u>Due Within One Year</u>
Combination Tax & Revenue Certificates of Obligation Series 2007, 0%, 2007-2027	\$ 500,000	\$ -	\$ (100,000)	\$ 400,000	\$ 100,000
Combination Tax & Revenue Certificate of Obligation Series 2010-A, 0%, 2010-2040	1,464,000		(81,000)	1,383,000	81,000
Combination Tax & Revenue Certificate of Obligation Series 2010-B, 0%, 2010-2040	306,000		(17,000)	289,000	17,000
Combination Tax & Revenue Certificate of Obligation Series 2010-C, 0%, 2010-2040	2,110,000		(115,000)	1,995,000	115,000
General Obligation Refunding and Improvement Bonds Series 2017, 2.6%, 2017-2029	944,000		(128,000)	816,000	130,000
Combination Tax & Revenue Certificates of Obligation Maturities 2021-2040 Series 2021, 1.25%-2.75%	980,000		(20,000)	960,000	20,000
Combination Tax & Revenue Certificates of Obligation Maturities 2023-2042 Series 2022, 3.00%-3.375%	1,835,000		(15,000)	1,820,000	35,000
Combination Tax & Revenue Certificates of Obligation Maturities 2024-2043 Series 2023, 4.0%-5.0%	-	3,510,000		3,510,000	-
Bond premium	49,610	165,267	(6,176)	208,701	
Lease obligations	220,276		(220,276)	-	
Total Business-type Activities	<u>\$ 8,408,886</u>	<u>\$ 3,675,267</u>	<u>\$ (702,452)</u>	<u>\$ 11,381,701</u>	<u>\$ 498,000</u>
Total Primary Government	<u>\$24,271,065</u>	<u>\$ 7,975,820</u>	<u>\$ (1,871,708)</u>	<u>\$30,375,177</u>	<u>\$ 1,762,873</u>

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund.

Certificates of obligation bonds represent general obligations of the City and are backed by the full faith and credit of the City and require the City to annual assess ad valorem taxes sufficient to provide for payment of the certificates as they mature. The certificates are additionally secured by and payable from a pledge of surplus revenues of the City's water and wastewater system that remain (1) after payment of all operation and maintenance expenses thereof and (2) after payment of all debt service, reserve and other requirements in connection with all of the City's revenue obligations.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

6. Long-Term Obligations – continued

Terms of the certificates of obligation bonds require the City to establish sinking funds in order to accumulate resources for the repayment of principal and interest on the bonds as they mature. At year-end the City was in compliance with these sinking fund requirements. Amounts set aside to meet interest and sinking fund requirements are reflected as restricted cash or restricted investments at year-end.

Notes payable and lease agreements represent general obligations of the City, and are secured by the equipment acquired by the note or lease. Current requirements for principal and interest of lease obligations are accounted for in the appropriate fund for which the liability was incurred.

Interest expense for business-type activities and the Water and Sewer Proprietary Fund was \$168,347 net of \$6,176 of premium amortization. No interest was capitalized in business-type activities or the Proprietary Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and lease obligations for governmental activities exclusive of bond premium are as follows at year-end:

Year Ending September 30,	<i>Governmental Activities</i>							
	Bonds & Notes Payable		GASB 87 Lease Obligations		GASB 96 SBITA Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 941,829	\$ 543,733	\$ 218,028	\$ 20,301	\$ 105,016	\$ 10,148	\$ 1,264,873	\$ 574,182
2025	814,791	509,382	166,042	14,001	109,125	7,069.00	1,089,958	530,452
2026	685,381	480,692	157,147	9,422	57,626	3,466.00	900,154	493,580
2027	705,931	453,536	151,526	5,205	26,434	1,816.00	883,891	460,557
2028	723,000	425,585	90,562	1,127	27,328	923.00	840,890	427,635
2029-2033	3,898,000	1,706,231					3,898,000	1,706,231
2034-2038	4,355,000	1,156,481					4,355,000	1,156,481
2039-2043	5,045,000	465,521					5,045,000	465,521
Totals	<u>\$17,168,932</u>	<u>\$ 5,741,161</u>	<u>\$ 783,305</u>	<u>\$ 50,056</u>	<u>\$ 325,529</u>	<u>\$ 23,422</u>	<u>\$18,277,766</u>	<u>\$ 5,814,639</u>

The City's notes payable currently outstanding and reported as liabilities in governmental activities are:

Original Note Amount	Maturity Date	Interest Rate	Direct Borrowing		Year Ending	Annual debt service requirements to maturity:		
			Outstanding Balance	Secured by		Principal	Interest	Total
\$ 458,415	9/14/2025	3.10000%	\$ 133,562	Equipment	2024	\$ 145,874	\$ 10,053	\$ 155,927
96,078	12/14/2024	3.85004%	56,073	Equipment	2025	171,791	3,872	175,663
95,728	12/14/2024	3.85007%	54,884	Equipment	2026	20,381	751	21,132
97,897	5/17/2027	3.41666%	73,826	Equipment	2027	13,931	157	14,088
95,460	5/10/2024	8.50000%	33,632	Equipment				
<u>\$ 843,578</u>			<u>\$ 351,977</u>		Totals	<u>\$ 351,977</u>	<u>\$ 14,833</u>	<u>\$ 366,810</u>

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

6. Long-Term Obligations – continued

The City has entered into lease agreements under GASB Statement No. 87 for vehicles and equipment in governmental activities with total combined monthly payments ranging from \$25,571 down to \$1,761 per month over the next five fiscal years with interest rates ranging from 0.09% to 7.90%. Terms of existing agreements expire on various dates through August 2028.

There were no material variable payments that were not included in the measurement of the lease liability. There are no material residual value guarantees or termination penalties that were not previously included in the measurement of the lease liability.

The City has entered into subscription-based information technology agreements (SBITA) under GASB Statement No. 96 in governmental activities with total combined monthly payments ranging from \$9,597 per month in fiscal year 2024 to \$2,354 per month ending in fiscal year 2028. SBITA obligations are recorded at the present value of the remaining subscription payments using an estimated incremental borrowing rate ranging from 3.04% to 3.38%. Terms of existing agreements expire on various dates over the next five fiscal years.

The annual debt service requirements to maturity for bonded debt for business-type activities, exclusive of bond premiums, are as follows at year-end:

Year Ending September 30,	<i>Business-type Activities</i>			
	Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2024	\$ 498,000	\$ 243,721	\$ 498,000	\$ 243,721
2025	500,000	238,525	500,000	238,525
2026	506,000	233,235	506,000	233,235
2027	512,000	227,779	512,000	227,779
2028	484,000	221,209	484,000	221,209
2029-2033	2,581,000	952,895	2,581,000	952,895
2034-2038	2,864,000	666,162	2,864,000	666,162
2039-2043	3,228,000	301,839	3,228,000	301,839
Totals	\$11,173,000	\$ 3,085,365	\$11,173,000	\$ 3,085,365

In addition to the long-term obligations detailed above, the City also has the following long-term obligations:

	Balance Beginning	Increase	Decrease	Balance Ending	Due Within One Year
<i>Governmental Activities:</i>					
Compensated absences	\$ 268,298	\$ 56,323	-	\$ 324,621	\$ 324,621

It is anticipated that the liability for compensated absences described above will be paid from the General Fund when due.

Component Unit (CEDC):

CEDC did not have any long-term obligations during the year.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

7. Defined Benefit Pension Plans

Plan Description

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive their retirement benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100%, Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Reporting

Employees Covered by Benefit Terms

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	105
Active employees	<u>82</u>
	<u>257</u>

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

7. Defined Benefit Pension Plans – continued

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Commerce, Texas were 8.24% and 7.66% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023, were \$393,725, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.25% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

7. Defined Benefit Pension Plans – continued

The healthy post-retirement mortality assumption and the mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. All other actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by weighting in the expected return for each major asset class by the respective target allocation percentage. The target allocation and best estimates of arithmetic rates of return for each major asset class for the TMRS fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equities	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Return	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

7. Defined Benefit Pension Plans – continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/2021	\$ 13,914,149	\$ 14,427,946	\$ (513,797)
Changes for the year:			
Service cost	468,103		468,103
Interest	931,419		931,419
Change of benefit terms	-		-
Difference between expected and actual experience	431,339		431,339
Changes of assumptions	-		-
Contributions - employer		382,775	(382,775)
Contributions – employee		199,362	(199,362)
Net investment income		(1,051,870)	1,051,870
Benefit payments, including refunds of employee contributions	(698,811)	(698,811)	-
Administrative expense		(9,114)	9,114
Other changes		10,875	(10,875)
Net changes	\$ 1,132,050	\$ (1,166,783)	\$ 2,298,833
Balance at 12/31/2022	\$ 15,046,199	\$ 13,261,163	\$ 1,785,036

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1 % Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 4,051,489	\$ 1,785,036	\$ (42,559)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

7. Defined Benefit Pension Plans – continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized pension expense of \$769,696. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 364,148	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	915,718	-
Contributions subsequent to the measurement date	303,273	-
Total	\$ 1,583,139	\$ -

\$303,273 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2024	\$ 291,479
2025	338,677
2026	244,558
2027	405,152
2028	-
Thereafter	-
Total	\$ 1,279,866

8. Postemployment Benefits Other Than Pensions (OPEB)

Plan description - The City maintains a single-employer defined benefit group-term life insurance plan known as the TMRS Supplemental Death Benefits Fund (“SDBF”). The plan is administered by the Texas Municipal Retirement System (“TMRS”). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*).

Benefits provided - The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12 month period preceding the month of death). The death benefit for retirees is considered an Other Post-Employment Benefit (“OPEB”) and is a fixed amount of \$7,500.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

8. Postemployment Benefits Other Than Pensions (OPEB) - continued

Employees Covered by Benefit Terms

At the December 31, 2022 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>82</u>
Total	<u>150</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's SDBF contribution rates for all covered employees of the City in calendar years 2023 and 2022 were .49% and .40% respectively. The City's contributions for all covered employees to the TMRS SDBF for the fiscal years ended September 30, 2023, and September 30, 2022, were \$19,395 and \$15,498, respectively, which equaled the required contributions for each year.

Total OPEB Liability

The City's total OPEB liability (TOL) of \$288,539 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs:

The total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.5% per year
Salary Increase	3.5% to 11.5% per year, including inflation
Discount Rate	4.054%
Retirees Share of Benefit Costs	\$ -0-

Salary increases are assumed to occur once a year and are assumed to increase by a graduated service-based scale ranging from 11.5% for employees with one year of service to 3.5% for employees with 25 or more years of service.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

Mortality rates for service retirees were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

For disabled retirees, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014, to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation.

The applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	\$ 416,554
Changes for the year:	
Service cost	16,746
Interest on total OPEB liability	7,701
Change in benefit terms	-
Differences between expected & actual experience	(6,126)
Changes in assumptions and other inputs	(133,577)
Benefit payments*	(12,759)
Other charges	-
Net changes	\$ (128,015)
Balance at 12/31/2022	\$ 288,539

*Due to the Supplemental Death Benefit Fund being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer’s yearly contribution for retirees.

The SDBF does not incur TMRS Administrative Expenses. The City is charged and the administrative expenses are paid through the TMRS Defined Benefit Pension Plan recorded under GASB Statement No. 68.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

8. Postemployment Benefits Other Than Pensions (OPEB) – continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05% (as compared to 1.84% in the prior year), as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1 % Decrease (3.05%)	Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB liability	\$ 339,692	\$ 288,539	\$ 248,460

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized OPEB expense of \$12,770. At year-end, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (net of current year amortization)	\$ 6,037	\$ 25,430
Changes in assumptions and other inputs	36,602	106,045
Contributions made subsequent to measurement date	15,626	-
Total	\$ 58,265	\$ 131,475

\$15,626 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2023	\$ (19,729)
2024	(20,461)
2025	(26,587)
2026	(22,059)
2027	
Thereafter	
Total	\$ (88,836)

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

9. Commitments and Contingencies

The City is involved in litigation from time to time during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on the City's financial statements.

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2023, have not been conducted. Accordingly, the City's final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City has entered into various construction commitments for several projects. Total committed amounts are approximately \$4,300,000 and will be funded through the use of the 2021 - 2023 bond proceeds.

Subsequent to year end, the City Council approved a Notice of Intent to issue 2024 Series Certificates of Obligation totaling \$7,350,000 (\$4,680,000 I&S supported and \$2,670,000 W/S revenue supported) on April 19, 2024. Planned expenditures for the bond proceeds include expanding and upgrading the City's water & sewer system, constructing and improving streets, drainage, bridges, streetscape; constructing and equipping an animal shelter, and constructing and equipping an administrative office building (City Hall Annex).

The City has an open violation from TCEQ for certain deficiencies at the sewer treatment plant. Management has not accrued any amounts for penalties related to this violation. Management expects that any fines related to this violation will not have a material impact on the City's financial statements. Management expects that bond funded projects being implemented will cure any deficiencies identified by TCEQ.

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). At year-end, no balances were outstanding between the funds.

City of Commerce, Texas
Notes to Financial Statements
September 30, 2023

10. Balances and Transfers/Payments Within the Reporting Entity - continued

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers reported within governmental activities. The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
General Fund	\$ 115,634	\$ 350,000
Water, Sewer and Environmental Waste Fund	11,762	
Internal Service Fund	350,000	
Other Governmental Funds		127,396
Total transfers	\$ 477,396	\$ 477,396

The transfers from the General Fund provided the other governmental funds with supplementary funding for the year. Transfers out of the Other Governmental Funds resulted from closing the Employee Benefits Fund. Funds were transferred back to the funds they originated from.

11. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Commerce, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Commerce, Texas and the surrounding area.

12. Restricted Cash, Cash Equivalents, and Investments

Cash and cash equivalents in business-type activities and the water, sewer and sanitation fund restricted for capital projects in the amount of \$2,706,332 at year-end represent bond proceeds awaiting expenditure for capital projects contemplated by the 2021 – 2023 bond issues.

Cash and cash equivalents in governmental activities and the capital projects fund restricted for capital projects in the amount of \$8,846,051 represent bond proceeds awaiting expenditure for capital projects contemplated by the 2021 – 2023 bond issues.

Cash and cash equivalents in governmental activities and other governmental funds accumulated from the hotel motel tax in the amount of \$98,671 are included in restricted cash at year-end.

Cash and cash equivalents less related payables in governmental activities and other governmental funds associated with judicial activities in the amount of \$63,955 are included in restricted net position at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

City of Commerce, Texas
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 2,798,456	\$ 2,798,456	\$ 2,751,016	\$ (47,440)
Franchise taxes	525,000	525,000	539,075	14,075
Sales tax	1,335,000	1,335,000	1,529,038	194,038
Beverage tax	15,000	15,000	14,658	(342)
Payments in lieu of taxes	203,398	203,398	203,398	-
Fines	100,000	100,000	48,159	(51,841)
Administration fees from proprietary funds	754,875	754,875	741,737	(13,138)
Permits and inspection fees	108,500	108,500	341,011	232,511
Intergovernmental	31,100	31,100	58,376	27,276
Component unit administration fees	117,612	117,612	129,607	11,995
Other income	369,195	369,195	314,289	(54,906)
Charges for services	14,200	14,200	61,858	47,658
Rents and leases	6,900	6,900	7,125	225
Interest	42,000	42,000	623,184	581,184
Federal and state grants	591,103	591,103	591,103	-
Total Revenues	7,012,339	7,012,339	7,953,634	941,295
Expenditures:				
Administration	1,885,713	2,001,713	2,120,615	(118,902)
Police department	2,306,905	2,309,926	2,141,815	168,111
Fire and emergency services	1,466,799	1,466,799	1,503,359	(36,560)
Public works	633,982	637,420	702,493	(65,073)
Parks and recreation	433,846	433,846	428,535	5,311
Community Development	279,080	501,080	482,080	19,000
Judicial	70,211	70,211	62,183	8,028
Library	64,288	64,288	62,787	1,501
Total Expenditures	7,140,824	7,485,283	7,503,867	(18,584)
Excess (Deficiency) of Revenues Over Expenditures	(128,485)	(472,944)	449,767	922,711
Other Financing Sources (Uses):				
Proceeds from sale of capital assets			14,938	14,938
Operating transfers in (out)	237,680	237,680	(234,366)	(472,046)
Net Other Financing Sources (Uses)	237,680	237,680	(219,428)	(457,108)
Net change in fund balances	109,195	(235,264)	230,339	465,603
Fund balance, October 1	2,994,628	2,994,628	2,994,628	-
Fund balance, September 30	\$ 3,103,823	\$ 2,759,364	\$ 3,224,967	\$ 465,603

City of Commerce, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

	Plan Year Ended December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 468,103	\$ 391,054	\$ 335,690	\$ 336,915	\$ 329,072	\$ 317,484	\$ 321,694	\$ 321,674	\$ 271,312
Interest on the Total Pension Liability	931,419	860,722	819,336	789,761	760,052	733,737	704,581	685,933	655,706
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	431,339	372,594	(39,678)	(128,639)	(114,660)	(179,982)	(131,344)	(21,602)	(132,138)
Change of assumptions	-	-	-	(18,054)	-	-	-	74,198	-
Benefit payments, including refunds of employee contributions	(698,811)	(532,275)	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)	(403,425)
Net Change in Total Pension Liability	1,132,050	1,092,095	587,829	425,048	452,898	418,443	425,970	687,130	391,455
Total Pension Liability - Beginning	13,914,149	12,822,054	12,234,225	11,809,177	11,356,279	10,937,836	10,511,866	9,824,736	9,433,281
Total Pension Liability - Ending	\$ 15,046,199	\$ 13,914,149	\$ 12,822,054	\$ 12,234,225	\$ 11,809,177	\$ 11,356,279	\$ 10,937,836	\$ 10,511,866	\$ 9,824,736
Plan Fiduciary Net Position									
Contributions - employer	\$ 382,775	\$ 325,088	\$ 285,440	\$ 279,428	\$ 256,451	\$ 242,205	\$ 229,774	\$ 256,531	\$ 251,625
Contributions - employee	199,362	169,141	146,079	143,003	140,749	136,376	137,125	144,249	135,720
Net investment income	(1,051,870)	1,667,388	910,163	1,624,770	(328,597)	1,345,429	621,688	13,526	497,151
Benefit payments, including refunds of employee contributions	(698,811)	(532,275)	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)	(403,425)
Administrative expense	(9,114)	(7,725)	(5,893)	(9,186)	(6,354)	(6,975)	(7,021)	(8,238)	(5,191)
Other	10,875	54	(230)	(276)	(332)	(354)	(378)	(408)	(427)
Net Change in Plan Fiduciary Net Position	(1,166,783)	1,621,671	808,040	1,482,804	(459,649)	1,263,885	512,227	32,587	475,453
Plan Fiduciary Net Position - Beginning	14,427,946	12,806,275	11,998,235	10,515,431	10,975,080	9,711,195	9,198,968	9,166,381	8,690,928
Plan Fiduciary Net Position - Ending	\$ 13,261,163	\$ 14,427,946	\$ 12,806,275	\$ 11,998,235	\$ 10,515,431	\$ 10,975,080	\$ 9,711,195	\$ 9,198,968	\$ 9,166,381
Net Pension Liability (Asset) - Ending	\$ 1,785,036	\$ (513,797)	\$ 15,779	\$ 235,990	\$ 1,293,746	\$ 381,199	\$ 1,226,641	\$ 1,312,898	\$ 658,355
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.14%	103.69%	99.88%	98.07%	89.04%	96.64%	88.79%	87.51%	93.30%
Covered Employee Payroll	\$ 3,987,247	\$ 3,382,819	\$ 2,921,586	\$ 2,860,057	\$ 2,814,988	\$ 2,727,528	\$ 2,742,493	\$ 2,884,971	\$ 2,714,399
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	44.77%	-15.19%	0.54%	8.25%	45.96%	13.98%	44.73%	45.51%	24.25%

City of Commerce, Texas
Schedule of Pension Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended September 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 393,725	\$ 374,122	\$ 310,171	\$ 286,093	\$ 278,996	\$ 252,087	\$ 249,812	\$ 244,732	\$ 265,045
Contributions in relation to the actuarially determined contribution	393,725	374,122	310,171	286,093	278,996	252,087	249,812	244,732	265,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,131,199	\$ 3,895,791	\$ 3,216,177	\$ 2,928,277	\$ 2,856,341	\$ 2,813,919	\$ 2,774,965	\$ 2,791,822	\$ 2,868,782
Contributions as a percentage of covered employee payroll	9.53%	9.60%	9.64%	9.77%	9.77%	8.96%	9.00%	8.77%	9.24%

Schedule Notes:

Valuation Dates:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

City of Commerce, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

Actuarial Valuation & Measurement Date, December 31,	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 16,746	\$ 13,531	\$ 8,765	\$ 7,150	\$ 8,163	\$ 6,819
Interest on the total OPEB liability	7,701	7,757	9,080	12,672	9,322	9,306
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(6,126)	6,888	(5,936)	(80,778)	63,698	-
Changes in assumptions or other inputs	(133,577)	12,544	50,234	51,799	(17,909)	21,284
Benefit payments *	(12,759)	(10,487)	(3,214)	(2,860)	(2,815)	(2,455)
Net Change in Total OPEB Liability	<u>(128,015)</u>	<u>30,233</u>	<u>58,929</u>	<u>(12,017)</u>	<u>60,459</u>	<u>34,954</u>
Total OPEB Liability - Beginning	416,554	386,321	327,392	339,409	278,950	243,996
Total OPEB Liability - Ending	<u>\$ 288,539</u>	<u>\$ 416,554</u>	<u>\$ 386,321</u>	<u>\$ 327,392</u>	<u>\$ 339,409</u>	<u>\$ 278,950</u>
 Covered Payroll	 \$ 3,987,247	 \$ 3,382,819	 \$ 2,921,586	 \$ 2,860,057	 \$ 2,814,988	 \$ 2,727,528
 Total OPEB Liability as a Percentage of Covered Payroll	 7.24%	 12.31%	 13.22%	 11.45%	 12.06%	 10.23%
 Required contribution	 \$ 19,395	 \$ 15,498	 \$ 11,447	 \$ 6,735	 \$ 6,638	 \$ 2,455
Actual contribution	19,395	15,498	11,447	6,735	6,638	2,455
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Required contribution as a % of Covered Payroll	<u>0.486%</u>	<u>0.458%</u>	<u>0.392%</u>	<u>0.235%</u>	<u>0.236%</u>	<u>0.090%</u>

Schedule Notes:

Plan information:

Single-employer unfunded OPEB plan

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75 paragraph 4 to pay related benefits.

Actuarial Valuation & Measurement Date:

December 31, 2022

Significant actuarial assumptions used to measure the total OPEB liability:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	4.05% (Based on Fidelity Index's "20-year Municipal GO AA Index" rate as of 12/31/22)
Retirees' Share of Benefit-related Costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

This schedule is presented to illustrate the requirements to show information for 10 years. Future years will be provided as the information becomes available.

SUPPLEMENTARY INFORMATION

City of Commerce, Texas
Combining Balance Sheet
Other Governmental Funds
September 30, 2023

	Airport	Grant	Recreational Programs	Hotel/Motel	Employee Benefits Trust	Street Maintenance	Municipal Court Security	Municipal Court Technology	Total
ASSETS									
Cash & cash equivalents	\$ 847,349	\$ 534,246	\$ 639	\$ -	\$ -	\$ 190,928	\$ -	\$ -	\$ 1,573,162
Cash & cash equivalents - restricted				98,671			28,277	35,678	162,626
Grant receivable	8,773								8,773
Other receivables	4,416					27,808			32,224
Prepaid expenses									-
Total Assets	\$ 860,538	\$ 534,246	\$ 639	\$ 98,671	\$ -	\$ 218,736	\$ 28,277	\$ 35,678	\$ 1,776,785
LIABILITIES									
Accounts payable	\$ 128	\$ -	\$ 2,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,368
Unearned grant revenues		437,519							437,519
Total Liabilities	128	437,519	2,240	-	-	-	-	-	439,887
FUND BALANCE									
Restricted for:									
Court security & technology							28,277	35,678	63,955
Hotel/motel				98,671					98,671
Committed for:									
Streets						218,736			218,736
Assigned for:									
Airport	860,410								860,410
Grant		96,727							96,727
Unassigned			(1,601)						(1,601)
Total Fund Balances	860,410	96,727	(1,601)	98,671	-	218,736	28,277	35,678	1,336,898
Total Liabilities and Fund Balances	\$ 860,538	\$ 534,246	\$ 639	\$ 98,671	\$ -	\$ 218,736	\$ 28,277	\$ 35,678	\$ 1,776,785

See auditor's report on supplementary information.

City of Commerce, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Other Governmental Funds
Year Ended September 30, 2023

	Airport	Grant	Recreational Programs	Hotel/ Motel	Employee Benefits Trust	Street Maintenance	Municipal Court Security	Municipal Court Technology	Total
Revenues:									
Hotel/motel tax	\$ -	\$ -	\$ -	\$ 54,314	\$ -	\$ -	\$ -	\$ -	\$ 54,314
Fines							4,500	4,142	8,642
Street maintenance						244,451			244,451
Other income									-
Donations			-						-
Charges for services			6,781						6,781
Rents and leases	9,017								9,017
Interest		4,850	-		429				5,279
Federal, state and local grants	8,773								8,773
Capital grants									-
Total Revenues	17,790	4,850	6,781	54,314	429	244,451	4,500	4,142	337,257
Expenditures:									
Administration				25,370					25,370
Police department									-
Parks and Recreation			8,392						8,392
Airport	24,798								24,798
Judicial								3,963	3,963
Public works						25,715			25,715
Bond issue costs									-
Capital outlay									-
Total Expenditures	24,798	-	8,392	25,370	-	25,715	-	3,963	88,238
Excess (deficiency) of Revenues Over (Under) Expenditures	(7,008)	4,850	(1,611)	28,944	429	218,736	4,500	179	249,019
Other Financing Sources (Uses):									
Proceeds from sale of assets	864,212								864,212
Operating transfers in (out)					(127,396)				(127,396)
Net Other Financing Sources (Uses)	864,212		-	-	(127,396)	-	-	-	736,816
Net change in fund balances	857,204	4,850	(1,611)	28,944	(126,967)	218,736	4,500	179	985,835
Fund Balance, beginning	3,206	91,877	10	69,727	126,967	-	23,777	35,499	351,063
Fund Balance, ending	\$ 860,410	\$ 96,727	\$ (1,601)	\$ 98,671	\$ -	\$ 218,736	\$ 28,277	\$ 35,678	\$ 1,336,898

See auditor's report on supplementary information.

OTHER INFORMATION
SUPPLEMENTARY SCHEDULES (UNAUDITED)

City of Commerce, Texas
Historical Schedule of Taxable Property Valuation
September 30, 2023 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Taxable Valuation
2022	2023	\$ 510,963,460
2021	2022	421,704,461
2020	2021	390,319,380
2019	2020	353,162,026
2018	2019	325,244,485
2017	2018	299,954,586
2016	2017	295,380,730
2015	2016	287,724,309
2014	2015	297,691,911
2013	2014	281,572,406

City of Commerce, Texas
Schedule of Delinquent Taxes Receivable
September 30, 2023 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance
2022	2023	\$ 95,377
2021	2022	44,015
2020	2021	32,544
2019	2020	23,333
2018	2019	19,069
2017	2018	18,421
2016	2017	19,197
2015	2016	11,722
2014	2015	11,006
2013	2014 and prior	8,229
	Allowance for uncollectible tax	<u>(28,291)</u>
	Delinquent tax receivable, net	<u>\$ 254,622</u>

City of Commerce, Texas
Budgetary Comparison Schedule
Debt Service Fund
Year Ended September 30, 2023 (Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Ad valorem taxes	\$ 1,099,793	\$ 1,099,793	\$ 1,078,639	\$ (21,154)
Total Revenues	<u>1,099,793</u>	<u>1,099,793</u>	<u>1,078,639</u>	<u>(21,154)</u>
Expenditures:				
Debt Service:				
Principal	686,926	686,926	614,926	72,000
Interest and fiscal charges	496,218	496,218	480,844	15,374
Total Expenditures	<u>1,183,144</u>	<u>1,183,144</u>	<u>1,095,770</u>	<u>87,374</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(83,351)</u>	<u>(83,351)</u>	<u>(17,131)</u>	<u>66,220</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(83,351)</u>	<u>(83,351)</u>	<u>(17,131)</u>	<u>66,220</u>
Fund balance, October 1	99,699	99,699	99,699	-
Fund balance, September 30	<u>\$ 16,348</u>	<u>\$ 16,348</u>	<u>\$ 82,568</u>	<u>\$ 66,220</u>